

Consolidated Financial Summary

(For the Fiscal Year Ended March 31, 2020 (IFRS basis))

Listed company: Hitachi Chemical Co., Ltd.

(Code number: 4217 Stock exchange: Tokyo)

(URL www.hitachi-chem.co.jp/english/index.html)

Representative: Hisashi Maruyama

Position of the person: President, Chief Executive Officer and Director

Person in charge of the reference: Masahiko Okamura

Position of the person: General Manager, Brand Communication Department

Tel: 81-3-5533-7150

Date of annual stockholders' meeting (schedule): To be determined

Date of the start of dividend payment: —

Date of the release of asset securities report (schedule): To be determined

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(1) Consolidated Financial Results (% indicates the rate of +/- compared with the previous fiscal year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March, 2020	631,433	(7.3)	23,126	(36.4)	23,960	(40.8)	16,553	(43.8)	16,401	(42.9)	4,845	(82.9)
March, 2019	681,025	1.8	36,353	(21.3)	40,500	(17.2)	29,451	(20.7)	28,723	(20.9)	28,397	(30.8)

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Income before income taxes to total assets	Operating income to revenue
	Yen	Yen	%	%	%
March, 2020	78.77	—	3.9	3.4	3.7
March, 2019	137.94	—	7.0	5.7	5.3

Reference: Share of profits of investments accounted for using the equity method

March, 2020: 4,541 million yen March, 2019: 3,690 million yen

Note: Basic earnings per share is calculated based on net income attributable to owners of the parent.

Note: The earnings capacity of the Company's ordinary operations, calculated by deducting the amounts for cost of sales and selling, general and administrative expenses from the figure for revenues noted in the consolidated statements of income, was 35,213 million yen in the fiscal year ended March 31, 2020. The consolidated result for earnings capacity of the Company's ordinary operations calculated by this method was 48,622 million yen in the fiscal year ended March 31, 2019.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
March, 2020	704,425	432,614	423,432	60.1	2,033.62
March, 2019	708,659	429,621	420,095	59.3	2,017.54

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
March, 2020	65,962	(48,713)	(22,513)	91,573
March, 2019	77,159	(47,397)	(12,664)	101,292

2. Dividend

	Dividend per Share					Total Dividends Paid (Total)	Dividends Payout Ratio (Consolidated)	Dividends to equity attributable to owners of the parent (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March, 2019	—	30.00	—	30.00	60.00	12,493	43.5	3.0
March, 2020	—	30.00	—	0.00	30.00	6,247	38.1	1.5
March, 2021 (Forecast)								

Note: The Company does not pay any dividend of surplus with a record date of March 31, 2020. For further details, please refer to the press releases "Notice Concerning Distribution of Dividends of Surplus (No Year-End Dividend)" dated December 18, 2019.

The dividend forecast for the Fiscal Year Ending March 31, 2021 is not shown as the Company shares will be designated as a stock to be delisted. For further details, please refer to the press releases "Notice Regarding the Result of the Tender Offer for the Shares of Hitachi Chemical Company, Ltd. by HC Holdings K. K. and Change of the Parent Company and the Largest Major Shareholder" dated April 21, 2020 and "Announcement on Share Consolidation, Abolition of Provisions on Share Units and Partial Amendment to the Articles of Incorporation" dated May 11, 2020.

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 through March 31, 2021)

The financial forecast is not shown as the Company shares will be designated as a stock to be delisted. For further details, please refer to the press releases "Notice Regarding the Result of the Tender Offer for the Shares of Hitachi Chemical Company, Ltd. by HC Holdings K. K. and Change of the Parent Company and the Largest Major Shareholder" dated April 21, 2020 and "Announcement on Share Consolidation, Abolition of Provisions on Share Units and Partial Amendment to the Articles of Incorporation" dated May 11, 2020.

* Notes

(1) Changes in significant subsidiaries during the term

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes of Accounting Policies Applied, Changes in Accounting Estimates

(a) Changes of accounting policies required by IFRS: Yes

(b) Changes of accounting policies other than (a): None

(c) Changes in accounting estimates: None

Note: Adoption of IFRS 16 "Leases"

(3) Number of Shares Issued (Common Stock):

(a) Number of shares at the end of the term

(Including treasury stock):

March 31, 2020:	March 31, 2019:
208,364,913 shares	208,364,913 shares
March 31, 2020:	March 31, 2019:
148,900 shares	143,345 shares
Fiscal 2019:	Fiscal 2018:
208,219,178 shares	208,222,783 shares

(b) Number of treasury stock at the end of the term:

(c) Average number of shares during the term:

* These financial results are not subject to audit procedures.

1. Consolidated Financial Statements
(1) Consolidated Statements of Financial Position

(Million yen)

Item	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	101,292	91,573
Trade receivables	139,579	130,038
Inventories	87,604	83,465
Other financial assets	20,549	20,367
Other current assets	4,549	5,674
Subtotal	353,573	331,117
Assets held for sale	—	2,475
Total current assets	353,573	333,592
Non-current assets		
Property, plant and equipment	221,729	239,249
Intangible assets	71,979	75,788
Net defined benefit assets	15,651	15,005
Deferred tax assets	14,987	13,550
Investments accounted for using the equity method	6,990	7,866
Other financial assets	16,545	14,898
Other non-current assets	7,205	4,477
Total non-current assets	355,086	370,833
Total assets	708,659	704,425

(Million yen)

Item	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Trade payables	80,215	76,034
Bonds and borrowings	41,901	41,255
Accrued expenses	28,991	26,023
Income tax payables	4,747	3,473
Lease liabilities	742	4,628
Other financial liabilities	17,888	24,126
Other current liabilities	3,606	3,528
Subtotal	178,090	179,067
Liabilities related to assets held for sale	—	1,797
Total current liabilities	178,090	180,864
Non-current liabilities		
Bonds and borrowings	53,174	46,618
Retirement and severance benefits	17,581	17,753
Provisions	1,861	1,690
Lease liabilities	1,925	15,867
Other financial liabilities	17,992	297
Other non-current liabilities	8,415	8,722
Total non-current liabilities	100,948	90,947
Total liabilities	279,038	271,811
Equity		
Common stock	15,454	15,454
Capital surplus	4,130	14,914
Treasury stock, at cost	(251)	(273)
Retained earnings	384,472	388,554
Accumulated other comprehensive income	16,290	4,783
Total equity attributable to owners of the parent	420,095	423,432
Non-controlling interests	9,526	9,182
Total equity	429,621	432,614
Total liabilities and equity	708,659	704,425

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated statements of income)

(Million yen)

Item	Year ended March 31, 2019 (April 1, 2018- March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 - March 31, 2020)
Revenues	681,025	631,433
Cost of sales	(508,814)	(475,974)
Gross profit	172,211	155,459
Selling, general and administrative expenses	(123,589)	(120,246)
Other income	3,397	3,645
Other expenses	(15,666)	(15,732)
Operating Income	36,353	23,126
Financial income	2,108	1,238
Financial expenses	(1,651)	(4,945)
Share of profits of investments accounted for using the equity method	3,690	4,541
Income before income taxes	40,500	23,960
Income taxes	(11,049)	(7,407)
Net income	29,451	16,553
Net income attributable to:		
Owners of the parent	28,723	16,401
Non-controlling interests	728	152
Earnings per share attributable to owners of the parent (yen)		
Basic	137.94	78.77
Diluted	—	—

(Consolidated statements of comprehensive income)

(Million yen)

Item	Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 - March 31, 2020)
Net income	29,451	16,553
Other comprehensive income (OCI)		
Items that cannot be reclassified into profit or loss		
Net gains and losses from financial assets measured at fair value through OCI	(846)	617
Remeasurements of defined benefit obligations	782	(1,463)
Total items that cannot be reclassified into profit or loss	(64)	(846)
Items that can be reclassified into profit or loss		
Foreign currency translation adjustments	(979)	(10,255)
Cash flow hedges	(298)	(504)
Share of OCI of investments accounted for using the equity method	287	(103)
Total items that can be reclassified into profit or loss	(990)	(10,862)
Other comprehensive income (OCI)	(1,054)	(11,708)
Comprehensive income	28,397	4,845
Comprehensive income attributable to:		
Owners of the parent	27,699	5,256
Non-controlling interests	698	(411)

(3) Consolidated Statements of Cash Flows

(Million yen)

Item	Year ended March 31, 2019 (April 1, 2018- March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 - March 31, 2020)
Cash flows from operating activities:		
Net income	29,451	16,553
Depreciation and amortization	37,760	43,953
Income tax expense	11,049	7,407
Impairment losses	5,266	6,022
Interest and dividends income	(1,216)	(1,221)
Interest expenses paid	1,510	1,777
Share of profits of investments accounted for using the equity method	(3,690)	(4,541)
(Increase) decrease in trade receivables	16,169	3,284
(Increase) decrease in accounts receivable other	(1,256)	(2,049)
(Increase) decrease in inventories	(2,889)	445
Increase (decrease) in trade payables	(4,589)	(1,135)
Increase (decrease) in retirement and severance benefits	(602)	(445)
Other	(2,510)	2,286
Subtotal	84,453	72,336
Interest and dividends received	4,633	4,701
Interest paid	(1,557)	(1,862)
Income taxes paid	(10,370)	(9,213)
Net cash provided by operating activities	77,159	65,962
Cash flows from investing activities:		
Expenses for property, plant and equipment acquired	(48,821)	(41,024)
Income from sale of property, plant and equipment	832	324
Proceeds from redemption and sale of investments in securities	746	2,715
Purchase of investments in subsidiaries	—	(9,236)
Proceeds from sale of subsidiaries	—	1,219
Expenses for investment securities acquired	(367)	(903)
Other	213	(1,808)
Net cash provided by (used in) investing activities	(47,397)	(48,713)
Cash flows from financing activities:		
Net increase (decrease) in short-term debt	1,628	(7,572)
Proceeds from long-term debt	2,686	12,041
Payments on long-term debt	(4,523)	(9,762)
Payments on lease liabilities	(507)	(4,412)
Dividends paid to stockholders	(12,493)	(12,493)
Dividends paid to non-controlling interests	(178)	(293)
Other	723	(22)
Net cash used in financing activities	(12,664)	(22,513)
Effect of exchange rate changes on cash and cash equivalents	157	(4,055)
Net increase (decrease) in cash and cash equivalents	17,255	(9,319)
Cash and cash equivalents at beginning of year	84,037	101,292
Cash and cash equivalents resulting from transfer to assets held for sale	—	(400)
Cash and cash equivalents at end of year	101,292	91,573

(4) Items Regarding Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable

(Segment information)

Along with the reorganization of the Company's business divisions on April 1, 2019, the Company changed its business segment profile for the purpose of establishing a business management structure that is tailored to core business areas.

(a) Overview of reportable segment

The Group's reportable segments are subject to periodic review by the Board of Directors to determine allocation of resources and to evaluate performance because of the availability of separate financial information from constituent Group units.

The "Functional Materials" business manufactures and sells electronics materials, printed wiring board materials, electronic components, etc., and the "Advanced Components and Systems" business manufactures and sells mobility components, energy storage devices and systems, and diagnostic reagents and regenerative medicine, etc.

The major products in each segment are as follows.

Segment	Main Products
Functional Materials	Electronics Materials Epoxy Molding Compounds for Semiconductors Die Bonding Materials for Semiconductors Slurry for Chemical Mechanical Planarization Anisotropic Conductive Films for Displays Touch Panel Supporting Materials Adhesive Films Printed Wiring Board Materials Copper-Clad Laminates, Photosensitive Dry Films Electronic Components Printed Wiring Boards
Advanced Components and Systems	Mobility Components Plastic Molded Products, Friction Materials Powder Metal Products Carbon Anode Materials for Lithium Ion Batteries Varnishes Functional Resins Energy Storage Devices and Systems Vehicle Batteries, Industrial Batteries and Systems Capacitors Life Sciences Diagnostics Contracted Manufacturing of Regenerative Medicine Products

(b) Information related to revenue, income (loss), and others of reportable segments
 Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	248,669	432,356	681,025	—	681,025
Intersegment revenue	1,565	2,904	4,469	(4,469)	—
Total	250,234	435,260	685,494	(4,469)	681,025
Segment profit (loss)	34,063	2,320	36,383	(30)	36,353
Financial income	—	—	—	—	2,108
Financial expenses	—	—	—	—	(1,651)
Share of profits of investments accounted for using the equity method	—	—	—	—	3,690
Income before income taxes	—	—	—	—	40,500
Other items					
Depreciation and amortization	13,674	24,086	37,760	—	37,760
Impairment losses	511	4,755	5,266	—	5,266

Note: Segment profit adjustments are the amounts eliminated for intersegment transactions.

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	238,303	393,130	631,433	—	631,433
Intersegment revenue	1,256	1,629	2,885	(2,885)	—
Total	239,559	394,759	634,318	(2,885)	631,433
Segment profit (loss)	30,676	(7,606)	23,070	56	23,126
Financial income	—	—	—	—	1,238
Financial expenses	—	—	—	—	(4,945)
Share of profits of investments accounted for using the equity method	—	—	—	—	4,541
Income before income taxes	—	—	—	—	23,960
Other items					
Depreciation and amortization	14,885	29,068	43,953	—	43,953
Impairment losses	130	5,892	6,022	—	6,022

Note: Segment profit adjustments are the amounts eliminated for intersegment transactions.